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World Outlook for Oilseeds and Products

Major Wheat Exporter Practices

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Closeup of soybean plant and beans. See story beginning page 2 for the 1971 outlook in world production and trade of oilseeds and products.

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Oilseeds, Product[s]

To Remain Hig[h]

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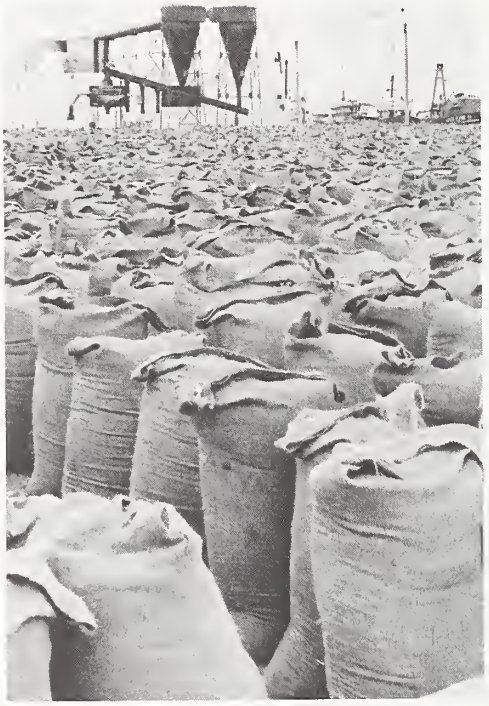

Left, fishmeal is bagged and ready for export from a Peruvian factory. Below, peanuts grown In Nigeria are stacked before delivery to ports.

.S. Exports his Year

Nineteen seventy-one will be another banner year for U.S. exports of oilseeds and products. The oil equivalent of U.S. exports this year—largely soybeans—is expected to slightly exceed last year's phenomenal exports of 4.4 million metric tons. On a soybean meal equivalent basis, U.S. exports of oilseeds and meals will approximate last year's record total of 13.1 million tons.

Our sustained record exports this year follow 1970's unprecedented expansion when U.S. exports accounted for record percentages of foreign consumption—33 percent of the meal and 12 percent of the oil.

Contributing importantly to record U.S. exports was a decline in foreign oil production in 1969, which prior to this had increased by some 750,000 metric tons annually.

The drop in world oil output resulted from production decreases in several countries: Coconuts in the Philippines; sunflowerseed and cottonseed in the Soviet Union; rapeseed in Poland; olive oil in Spain; fish oil in Peru and South Africa; peanuts in Nigeria and Senegal; and soybeans in Communist China.

This production drop created the largest oil deficit in the foreign sector since 1963. However—as in 1963—the 1969 foreign market did not immediately respond to the shortage. Consequently, prices abroad for U.S. soybeans and oil did not begin to rise until October 1969. Also, U.S. export expansion in 1969 was small. In fact, the United States was building soybean stocks to unprecedented levels, while foreign production was declining and foreign demand continued to widen.

In 1970, foreign oil production again fell short of the former average increase by 100,000 tons, registering a gain of only 650,000 tons. By this time, supplies abroad had been sharply depleted and oil prices continued to rise with those for soybeans and other oilseeds.

Foreign demand has been growing by about 840,000 tons annually and the drop in oil production created a foreign deficit which resulted in a strong demand for U.S. oils. On a net basis, the increase in U.S. exports amounted to nearly 1.1 million tons—nearly triple the average annual increase in volume in worldwide exports in the last decade.

Oil prospects in 1971

Foreign production of oils is expected to increase sharply in 1971, climbing by 1.26 million tons—the largest increase since 1965—and two-thirds above the average annual increase of 750,000 tons. It will also surpass the annual increase in foreign demand of 840,000 tons averaged in the last decade.

One-fifth of the foreign increase is in industrial oils—largely linseed oil—which is not directly competitive with edible oils, including soybean. Another one-fourth of the total 1.26-million-ton increase in 1971 represents oil output from peanuts in India, but Indian production is not likely to have any impact on the cash export market for oil. Another 5 percent represents estimates of larger soybean and peanut crops in Communist China. But Chinese production is a question mark.

Subtracting the industrial oils, and the added production in India and Communist China, trims the expected 1971 foreign increase of oil to a less-than-average 600,000 tons.

Seventy-five percent of the 600,000-ton increase in 1971 will come from expanded rapeseed crops in Canada, Poland, and France. We do not, however, know how much of the increase in rapeseed will go into uses competitive with soybean oil in foreign export markets.

Despite the large total increase in foreign output of oil in 1971, it appears that world exports will increase only by about 400,000 tons, slightly above the average annual increase since 1960, but substantially below the extraordinary gain in 1970. In view of these facts, in 1971 we expect a moderate increase in U.S. exports of oil—perhaps 50,000 tons.

There will be some major differences in the oil trade this year from a year ago. First, foreign exports are expected to account for over 80 percent of the increase in world oil exports in 1971. In contrast, foreign exports in 1970 accounted for only 20 percent of the total world increase, while 80 percent of added exports came from the United States.

Another difference is that increased exports of rapeseed and rapeseed oil will account for over one-half of the total increase in exports of oil. The increase will largely reflect expanded exports from Canada and Poland.

Finally, exports of soybeans, on an oil equivalent basis, and soybean oil, principally from the United States, China, and Brazil, are expected to account for only four-fifths of the increase in world exports.

Exports of coconut oil, and palm, and palm kernel oils will again increase in 1971. Most of the rise will be from Malaysia and the Philippines. Worldwide exports of peanuts and peanut oil will again decline this year. The reduced exports will be largely from Nigeria, Senegal, and Niger—leading producer-exporters—due to the severe drought in these countries and to low producer prices.

Meal also in tight supply

In 1969, there were substantial declines in foreign production of fish and peanut meals. These declines amounted to more than 1.1 million tons, on a soybean meal equivalent basis. Foreign production of all other meals increased only 200,000 tons, a very small amount. The result was a total decline of foreign meal production of 900,000 tons in 1969.

Fishmeal prices increased in 1969 and foreign exports of fish and peanut meals dropped by 1.4 million tons. Because of increases in other meal categories, however, total foreign exports of all meals were down 1.1 million tons.

Foreign buyers again postponed purchases as long as possible in 1969, in order to take advantage of a lower-priced U.S. soybean crop. This is the same situation that prevailed for oil.

In 1970, foreign livestock and poultry numbers expanded at an accelerated rate. Therefore, meal requirements for livestock increased by more than 400,000 tons in soybean meal equivalent.

As with oil, foreign meal demand was set for a substantial increase in 1970. However, unlike oil, foreign meal production in 1970 registered a major increase—1.6 million tons—of which 1.2 million tons was in fish and peanut meal.

Despite the sharp increase in export availabilities of foreign meals, foreign exports in 1970 rose only by 500,000 tons, 400,000 tons below the 1968 volume. The reasons for the substantial buildup in foreign stocks of meal

and seed include the Peruvian export-price control policy on fishmeal together with significant expansion in fishmeal production, as well as Canadian expansion of rapeseed and flaxseed production.

On a soybean meal equivalent basis, world fishmeal production in 1970 amounted to a record 7.4 million metric tons or about 27 percent of foreign output of all meals. About two-thirds of the volume is usually exported. Total world fishmeal exports in 1970 accounted for over two-fifths of all foreign meal exports. But, total fishmeal exports in 1970 increased by only 180,000 tons, while production increased by over 900,000 tons.

Foreign nations held their stocks of fishmeal; meanwhile, U.S. exporters moved in 1970 to fill the foreign gap resulting from heavy demand with soybeans and meal.

U.S. exports of oilseed and meals in 1970, on a soybean meal equivalent basis, are estimated to have increased by over 3.3 million tons. The 1970 increase was four times the average-annual increase of 780,000 tons in the 1961-69 period. Four-fifths of the increase moved in the form of soybeans only. U.S. soybean exports supplied nearly 33 percent of total foreign consumption, a remarkable expansion. In 1969, this was less than 27 percent.

Foreign feeding rates of meal for livestock increased substantially in 1970, accounting for additional foreign demand. Also, because of the U.S. corn blight in 1970, meal prices relative to corn were more favorable.

Meal prospects for 1971

In 1971, some slackening can be anticipated in the growth rate of animal numbers in foreign countries—principally hogs, especially in the major West European countries. However, demand for meal in Eastern Europe should continue to expand as livestock and poultry numbers grow at a significant rate.

Combined U.S. exports on a soybean meal equivalent basis, will be about the same in 1971 as in 1970 and will account for over 30 percent of foreign consumption—slightly less than last year.

We predict that this year foreign demand will continue to expand as hog and poultry production continues to climb. The amount of the increase in foreign consumption of meals is now expected to be roughly 1.75 million tons.

This increase in foreign meal demand is expected to be far below the record jump in foreign consumption which took place in 1970. Foreign production in 1971 is expected to increase about 900,000 tons. As of January 1, 1971, foreign stocks of meal on hand were about 1 million tons larger than last year. Carry-in stocks, plus expanded foreign production should satisfy the increase in foreign meal demand in 1971.

A large share of the 1971 increase in foreign meal production is expected to be in linseed and rapeseed meals—mostly fed to cattle. While it is difficult to forecast fishmeal production because of changes in weather, seasonal availability of fish, extraction rates, and expanded efforts by several countries, we expect worldwide fishmeal production may decline following last year's large increase. This decline, if it occurs, will largely reflect a falling off in Peru's 1971 fishmeal output compared to a record outturn in 1970.

On the export side, several major producer-exporter countries are expected to increase their foreign sales. Substantially larger exports of fishmeal from Peru and Norway can be expected, unless these countries plan to continue to run up stocks as they did last year.

Brazil should export more soybean and peanut meal this year, compared to last. Sunflower meal exports are likely to increase from Argentina and Turkey.

The Soviet Union's exports of cottonseed meal could increase significantly based on a record cottonseed crop. However, Soviet cake and meal exports are not separately classified by the Russians, and we can only guess what percentage of this export volume of all cakes and meals is cottonseed meal.

Large export increases in rapeseed from Canada and Poland are imminent. Yet, we are not sure if rapeseed will gain wider livestock-feeding acceptability in a number of countries. This acceptability will affect the exports of Canada and Poland.

Exports of flaxseed from Canada and linseed meal from Argentina may increase in 1971.

In view of these facts, it is difficult to see how U.S. exports can register any significant increase in 1971.

We do not know, however, what the foreign demand for rapeseed will be in 1971, and we cannot predict distortions in the price ratio of meals relative to feedgrains abroad which we feel could change the picture. However, such changes could be offset by declining livestock prices and higher feed prices in certain West European countries.

Summary and conclusion

From the foregoing facts we can draw several conclusions. Total world production and exports of oilseeds and meals are expected to establish new all-time highs in 1971. The increase, however, both in production and exports is expected to be substantially less than in 1970—a record year. Furthermore, the availability of oilseeds and meals for exports wil be up because of larger carry-in stocks in Peru, Norway, and Canada.

In 1970, foreign consumption of meals rose sharply. This resulted in substantial U.S. exports which depleted U.S. stocks of soybeans.

However, foreign stocks in the primary exporting countries increased. This year growth in foreign demand for meal is expected to increase by a smaller volume due to higher feed prices together with lower livestock prices. Despite this, we anticipate a reduction of foreign stocks of meal and oilseeds. Combined U.S. exports of oilseeds and meals on a soybean meal equivalent basis may about reach last year's record volume.

In the oil sector, new records are expected to be set both for world production and exports. Total production will accelerate from last year, but the increase in world exports will decline substantially. The lion's share of the increase in both production and exports will be in the foreign sector. By comparison, in 1970, U.S. oil exports accounted for over 80 percent of the world gain but will account for less than 20 percent of the gain in world exports in 1971.

The oil sector is expected to be the pace setter in the oilseed complex this year. The relatively inelastic demand for oil in the developed countries with limited expansion in export availabilities this year are the two key reasons. However, existing high prices of oils and oilseeds could once again trigger increased exports in the foreign sector in 1972, a situation similar to 1966, following 2 years of price stimulation.

U.S. Poultry Meat Export Markets in Japan And Hong Kong Disrupted by Competitors

By DAVID R. STROBEL
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Recent actions by Canada and the Netherlands in the subsidization of poultry meat exports to Hong Kong and Japan have disrupted the second and third most important export markets for U.S. poultry meat products.

On February 5, 1971, the Canadian Agricultural Products Board sent to poultry firms "an invitation to tender" for 3 million pounds, in 300,000 pound lots, of broilers and/or chicken parts for export within 45 days to the Far East. The tender provided for the Canadian Government to pay the successful bidders an export subsidy, the difference between the purchase price on the Canadian market and the price received from the Far East purchasers.

This action was taken by the Canadian Government to relieve surplus stocks of poultry. The bulk of these stocks apparently were located in the Province of Quebec and were accumulated as a direct result of a series of Provincial marketing orders created in 1970 which hindered the free movement of poultry products in inter-Provincial trade.

Immediately following the Canadian action Canadian Grade A broilers were reportedly being offered in the Hong Kong and Japanese markets at 24 cents, wings 20 cents, and legs 33 cents per pound. This compares with the lowest possible unsubsidized offers of U.S. Grade A broilers at about 35 cents, wings 24 cents and legs at 42 cents per pound. The immediate effect, of course, was that importers stopped ordering the U.S. product to take advantage of the low Canadian prices. The extent of the Far Eastern buyer interest is indicated by reports from the Japanese livestock press that Japanese importers and distributors were on the way to Canada to finalize purchases.

All of the 3 million pounds of subsidized Canadian poultry is reportedly slated for export to Japan. If so it is equal to 28.4 percent of the total quantity of poultry meat products exported by the United States to Japan in 1970. If the total quantity were to go to Hong Kong, it would equal 14.7 percent of total U.S. poultry meat exports to that market in 1970. Regardless of the ultimate quantity moving into each market, severe damage has been done to U.S. trade interests in these two important markets. Before the subsidy action, Canadian exports of poultry meat to these markets had been practically nil.

At about the same time as the Canadian action, the Dutch were reportedly offering whole broilers of Grade A quality to Hong Kong at 21 cents, with wings also quoted at 21 cents. Shipments are reportedly scheduled for arrival in Hong Kong in late April and early May. In addition, Germany was offering wings at 18 cents. The principal U.S. poultry meat export item to Hong Kong is broiler wings.

The largest export market for the Netherlands is its fellow European Community member, West Germany—the world's largest import market for poultry meat. The Dutch have the dominant share of the West German market. They shipped over 300 million pounds in 1970 and supplied 85 percent of the West German import market for January-September 1970.

Countries outside the European Community have had only very limited access to the important West German market since the establishment in 1962 of prohibitive levels under the variable-supplementary levy system of the EC's CAP for poultry.

Dutch exports of poultry meat to countries outside the EC were only about 50 million pounds for January-November 1970 with 19 million pounds of this amount shipped to Russia. It is puzzling, therefore, that the Dutch are apparently offering their subsidized product on the Hong Kong market at the quoted prices. The 21 cent price for whole broilers and wings suggests abnormally low prices even after considering the authorized EC subsidy of 7.4 cents for whole broilers and 4 cents a pound for wings. To permit a 21-cent Hong Kong price, broilers would be leaving the Netherlands priced below the current domestic price level.

The Dutch market shows no weakness as a result of a combination of two factors—large purchases by the Russians and a significant loss of broilers as a result of an outbreak of Newcastle disease. Behind the EC protective wall, production of broilers in the Netherlands continues the upward trend of recent years, with 1970 production estimated at 569 million pounds compared to 336 million in 1966. It could be that the Dutch are attempting to establish their products in expanding, hard currency markets, such as Hong Kong, as a cushion against future surplus production. A small but viable export market outside the EC could do much to strengthen the Dutch market in the EC. The development of such an export market for subsidized Dutch poultry, however, would damage the U.S. poultry industry.

In spite of the limited access to the EC with its important West German market and expanding subsidized competition not only from the EC but also Denmark, in 1969 and 1970, the U.S. poultry industry has managed to maintain the value of its poultry meat exports at the 1968 level of about $43 million. With such action as that taken by the Canadian Government and the continued efforts of the EC and Denmark to establish their subsidized products in traditional U.S. export markets, it will be increasingly difficult for the U.S. poultry industry to maintain its fair share of the world poultry meat market for its products in 1971.

The United States has expressed to the Canadian Government its concern about the Canadian subsidy action. Through bilateral and GATT discussions, the United States has endeavored to have all subsidization of poultry meat exports stopped.

The limited U.S. subsidy program for whole broilers to Switzerland and Greece is a defensive action designed to regain a fair share of these markets for U.S. exporters. The United States continues to be prepared to drop these programs if the EC and Denmark would discontinue their subsidy programs.

Cotton Production Stable in Central America

Larger acreage next season could boost production, exports considerably higher

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Cotton production in 1970-71 in El Salvador, Guatemala, and Nicaragua, which produce practically all the cotton grown in Central America, is expected to remain about the same as last season's. As a result, the keen competition Central America has been giving U.S. cotton in foreign markets—especially in Japan, largest market for both U.S. and Central American cotton exports—will probably continue this year.

Central American cotton exports from the 1970-71 harvest are expected to amount to about 630,000 bales, slightly below the 667,000 bales shipped the previous season. As in previous years, practically all of El Salvador's exports from this year's crop are destined for Japan and about two-thirds of those from Guatemala and Nicaragua will go to this market. Japan took a total of over one-half million bales from Central America in each of the previous 3 years.

Total cotton production in 1970-71 in these three countries is expected to be 755,000 bales, virtually the same as last season's 758,000 bales but far below the peak of 1.3 million in the mid-1960's.

A large part of the 1970-71 crop was contracted with foreign buyers prior to the general rise in world cotton prices. Most of this season's harvest reportedly averaged between 25 cents and 26.5 cents per pound, f.o.b. Attempts to purchase limited remaining supplies from the current crop at prices 1 cent to 1.5 cents higher have met resistance. Most industry observers expect offers for the 1971-72 crop to increase from the 28 cents now being offered.

As a result of these price increases, cotton producers are expected to increase 1971-72 acreage (to be planted in June and July) by about 15 percent over the 535,000 acres harvested this season. Assuming average yields, an acreage increase of this magnitude would result in a harvest more than 100,000 bales larger than this season's production.

Further price increases prior to planting time could result in additional plantings next season, although several factors may work against these. For one thing, productive cotton land is relatively limited in El Salvador and Guatemala, although more available in Nicaragua. In addition, farmers who stopped producing cotton in the past several years and put their cotton land to other uses—particularly into permanent pasture—will be reluctant to return to cotton in 1971-72 unless prospects for higher prices for a longer period are readily apparent. Also, the large financing required for cotton production in Central America is becoming difficult to obtain. Farmers growing cotton must be able to maintain high yields and keep costs in balance.

Most of next season's increased acreage will probably be farmed by efficient producers who have adequate financial backing. These producers—whose farms yield about 2 bales per acre—have a total cost of about 22 cents per pound, after adjusting for the value of seed. This is about equal to the cost of efficient U.S. producers. Cost tends to be higher in Nicaragua and lower in Guatemala. Rising costs have been offset by an increase in cottonseed prices. For the 1970-71 season, these prices are reported at $68 per ton in El Salvador and $62 per ton in both Guatemala and Nicaragua.

Increased use of fertilizer is becoming necessary to maintain high yields, and insect control continues to be a major concern throughout Central America. Biological control of insects is being used with some success, particularly in El Salvador.

Also of continuing concern is the labor supply—too small in Nicaragua and too large in El Salvador and Guatemala. All cotton is harvested by hand in El Salvador and Guatemala while in Nicaragua about 20 percent is mechanically harvested—well under the potential with available machinery. The reduction in Central American cotton production over the past 5 years has added a large number of unemployed agricultural workers to a popula-

ESTIMATED 1970-71 COST OF PRODUCING LINT COTTON IN SELECTED CENTRAL AMERICAN COUNTRIES [1]

Item	El Salvador	Guatemala	Nicaragua
	U.S. dollars per acre	*U.S. dollars per acre*	*U.S. dollars per acre*
Seed	2	2	3
Fertilizer	17	15	22
Pest Control	63	60	58
Labor and machinery	73	68	85
Ginning [2]	20	22	21
Total direct cost	175	167	189
Land cost	30	23	22
Overhead	25	27	25
Total cost	230	217	236
Adjusted direct cost [3]	121	117	139
Adjusted total cost [3]	176	167	186
Total returns [4]	210	208	200
Net returns	34	41	14
	U.S. cents per pound	*U.S. cents per pound*	*U.S. cents per pound*
Adjusted total cost	22.0	20.9	23.2
Adjusted direct cost	15.1	14.6	17.4
Price received	26.3	26.0	25.0

[1] At lint yield level of 800 lb. per acre.
[2] Ginning charge of $12.50 per 500 lb. of lint for El Salvador, Guatemala; $13 for Nicaragua.
[3] Less value of seed calculated at $68 per ton ex-gin yard for El Salvador and $62 for Guatemala and Nicargua.
[4] Estimated price for lint, dockside, excluding transportation charges and export taxes.

COTTON AREA, PRODUCTION, AND EXPORTS IN SELECTED CENTRAL AMERICAN COUNTRIES

	1967-68	1968-69	1969-70	1970-71 [1]	1971-72 [2]
El Salvador					
Acreage ..... *1,000 acres*	100	126	122	145	160
Production ..... *1,000 bales* [3]	159	205	208	225	250
Exports ..... *1,000 bales* [3]	116	107	201	170	195
Guatemala					
Acreage ..... *1,000 acres*	218	230	182	175	200
Production ..... *1,000 bales* [3]	356	336	240	240	290
Exports ..... *1,000 bales* [3]	269	357	195	195	255
Nicaragua					
Acreage ..... *1,000 acres*	360	325	240	215	250
Production ..... *1,000 bales* [3]	445	405	310	290	325
Exports ..... *1,000 bales* [3]	429	452	271	265	300
Totals					
Acreage ..... *1,000 acres*	678	681	544	535	610
Production ..... *1,000 bales* [3]	960	946	758	755	865
Exports ..... *1,000 bales* [3]	814	916	667	630	750

[1] Preliminary. [2] Forecast. [3] Bales of 480 lb., net weight.

tion already burdened by unemployment and underemployment.

This social—and political—problem is recognized in government and agricultural circles and will be the basis for new efforts by the cotton industry to obtain greater government assistance. At present, the only government assistance is in El Salvador, where cotton loans are available at a subsidized interest rate of 6 percent.

Costs of ginning and moving cotton from farm to port are lower in Central America than in the United States. Ginning cost is $12-$14 per bale compared with an average U.S. cost of over $19. Larger volume per gin, lower labor cost, and inexpensive bagging and ties are the major reasons for the lower costs. Most bales are pressed either to standard or high density.

In El Salvador the entire harvest is marketed by the national cotton cooperative while in the other two countries cotton is marketed through private exporters. Thus it is easier to obtain large lots in El Salvador.

Domestic cotton consumption in these three countries is expected to amount to 125,000 bales in the current season. El Salvador is the largest consumer, with 55,000 bales, followed by Guatemala with 45,000 bales and Nicaragua with 25,000 bales. Internal prices have increased for the limited available supplies—which were restricted by heavy forward export sales resulting from higher world prices. Interest has been expressed by local mills in importing small quantities of cotton to fill the void until new-crop supplies become available. Honduras (with a domestic consumption of 8,000 bales) and Guatemala have indicated interest in obtaining cotton from the United States. So far this season El Salvador has imported 3,000 bales of U.S. cotton, the same amount that it imported last year.

In El Salvador, cotton production in the 1970-71 season is expected to total 225,000 bales compared with 208,000 bales in the previous season. Harvested area totaled about 145,000 acres, an increase of 23,000 over the 1969-70 level, attributed to stable prices and heavy forward buying by Japan before planting.

Total 1970-71 exports by El Salvador may reach 170,000-175,000 bales. Less than 10,000 bales are reportedly unsold from this season. In early February export prices were reported at 27.5 cents f.o.b. and will average over 265 cents per pound, f.o.b. for the entire season.

The outlook for El Salvador's 1971-72 season is for a minimum increase of 10 percent in acreage planted. The national cotton cooperative is reported to have made 1971-72 forward sales to Japan for about 40,000 bales, reportedly at 27.75 cents per pound Middling, 1-1/16-inch basis, f.o.b.

Cotton production for the 1970-71 season in Guatemala is expected to equal the 240,000 bales produced a year earlier. Harvested cotton area is estimated at 175,000 acres, down 7,000 acres from the 1969-70 level. Despite white-fly infestation in some areas, per acre yields are expected to be above those of the 1969-70 season when heavy rains and some flooding reduced cotton production in Guatemala.

Total Guatemalan exports may reach 195,000 bales, the same as the previous year's shipments. The entire current harvest reportedly has been sold—most of it prior to the general world price increase—and prices are expected to average 26 cents per pound, f.o.b. Japan was the major buyer.

With the higher world prices, a 10-percent increase in planted acreage is expected in Guatemala for the 1971-72 season, but this is not as certain as acreage increases in other Central American countries. Concern about control of white fly—and its cost—and the profitability of alternative crops (mostly pasture and corn) are the main things behind this uncertainty.

As of early March 1971, about 100,000 bales of Guatemala's 1971-72 crop reportedly had been sold forward to Japan at prices averaging 28 cents per pound, f.o.b. Industry sources expect about 50 percent of the 1971-72 harvest to be contracted before the end of March at this price level.

About 290,000 bales are expected to be harvested from the 1970-71 crop in Nicaragua. This is down slightly from the 310,000 bales the previous season. Harvested area is estimated at 215,000 acres for 1970-71, a 25,000-acre reduction from 1969-70. Per acre yields are also expected to be down. In early February 1971, eruption of the volcano in Cerro Negro in León damaged unharvested cotton but losses were reported to be minimal.

Nicaraguan exports for the 1970-71 season may reach 265,000 bales, with only a small quantity uncommitted. Recent sales have been reported at 27.3 cents per pound, f.o.b. However, the average price for 1970-71 is expected to be about 25 cents per pound f.o.b., because of a considerable number of sales earlier in the season at lower prices.

The outlook for Nicaragua's 1971-72 season is for a 20-percent increase in planted acreage. Since additional land is more readily available in Nicaragua than in the other two countries, this estimate may be on the conservative side (if adequate financing can be obtained). In early March 1971, only a small quantity of forward sales of 1971-72-crop cotton had been reported. (Forward sales are not usually made so early in the season.) Prices for the crop are expected to be around 27 to 28 cents per pound.

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Wheat Marketing In Major Exporting Countries

V. how export operatio —specific practices

This is the fifth article in a series on wheat marketing by Canada, Australia, Argentina, and the United States. The first three articles dealt with the organization and structural setting of the market, price support systems, and domestic marketing, shipping, storage, and grading practices.

The fourth article covered general aspects of the export operations of the four countries. This one deals with specific export practices of the individual nations. Food aid donations by the four countries are also touched on.

Canada

In the exportation of Canadian western wheat, which represents the vast majority of that country's exports, the Canadian Wheat Board (CWB), the private trade as agents of the CWB, and the Canadian Government all play roles. The CWB primarily sets prices and positions wheat at Canadian points of export. The largest share of Canada's wheat exports are on commercial terms, with the private trade, as agents of the CWB, responsible for the various functions of exportation beyond the Canadian f.o.b. (free on board) loading position.

The private trade buys from the CWB and negotiates sales with foreign buyers The CWB negotiates directly with various countries or areas such as the USSR, Mainland China, Eastern Europe, and certain Latin American countries concerning government-to-government sales and then allows the trade to carry out the terms of the export agreement.

The CWB maintains offices in London and Tokyo, which serve mainly as listening posts and sales promotion centers. The Canadian Government's role is most active in the area of advancing noncommercial credit terms. The Ontario Marketing Board handles the marketing of Canadian eastern wheats, with the private trade handling arrangements for exports.

Each day at the close of the Winnipeg Grain Exchange at 2:15 p.m. e.s.t., the CWB announces its selling prices for the various classes and grades of wheat at the various ports, the main ones being the Lakehead, Vancouver, and on the St. Lawrence, with freight differentials being the major determinant of spreads. In setting prices, as do the selling agents in each country, the CWB considers prices of competing wheats, available supplies, relative values at the different port areas, ocean freight, and foreign exchange rates.

Agents may purchase for nearby as well as distant delivery periods. These purchases may be made either at a flat, specified price (the price effective on date of contract), or on the basis of the CWB's system of deferred pricing. This system allows the buyer flexibility in that he may designate as the final settlement price the CWB price on any day, from the time of purchase, up to and including a specified number of days from the calling of the grain or in the case of west coast origins, the completion of loading. The agents extend this method of deferred pricing to foreign buyers also.

The number of days allowed depends upon the loading port and, in the case of west coast ports, the destination. East coast ports range from 8 days (Atlantic ports) to 14 days (Lakehead) after date of calling. The west coast time period is 18 days after completion of loading for Pacific, Latin American, and Caribbean destinations; and 25 days for all other destinations east of the Panama Canal.

An accounting price is assigned at time of calling or delivery with a plus or minus adjustment applied when the price is fixed. If the buyer does not price the grain prior to the allotted time period, the market price on the final day allowed becomes the contract price for the wheat.

Agents normally maintain a constantly revolving position with the CWB, operating from either the long side (having purchased from the CWB without offsetting sales), or short side (having sold prior to making offsetting purchases from the CWB), depending on their judgment of the market. Purchases are more often made on an "in store" basis (in storage at a specified location).

The CWB's pricing policy and the fact that agents may purchase for deferred delivery periods allow the agents to maintain long-term positions and operate in the export market with a great degree of flexibility. In c.i.f. sales made by agents, the firm normally assumes all responsibilities—ocean freight and foreign exchange, among others. Agents handle sales to the United Kingdom, Western Europe, and Japan while the CWB acts more as a negotiator of sales in Latin America, Asia, Eastern Europe, the USSR, and Mainland China.

Japanese trading firms may not act

Ships loading wheat for export at Geelong terminal, Victoria, Australia.

ompare

as agents of the CWB and instead purchase from Canadian firms at an f.o.b. position. This does not diminish the importance of the Japanese firms since, on the Japanese side, they alone are authorized to offer wheat to the Food Agency, Japan's monopoly import agency.

When an exporting firm, as an agent of the CWB, handles a CWB-negotiated contract, handling and other services are provided by the trade at essentially a near-cost fee. In most instances handling and other services are provided as the result of a tender whereby agents of the Board make an offer. The agent then purchases the wheat from the CWB at a set specified price.

This sort of sale may be made on either an f.o.b. or a c.i.f. basis with the agent supplying further services such as ocean freight and insurance in the case of c.i.f. sales. The agent then takes final settlement or payment from the foreign buyers. In some cases—such as sales to Mainland China, for instance—where the price is not an open matter, the agent simply provides handling (or f.o.b.-ing) and other services for a set fee and the foreign buyer makes final payment directly to the Canadian Wheat Board.

The Canadian Government's role is primarily in the area of export credit and export credit insurance. Canada for many years has sold wheat to Mainland China and the Eastern European nations, in both cases using special credit arrangements.

In January 1968, the Canadian Government reviewed the existing credit program and announced a "revised and expanded credit program" incorporating both subsidized interest rates and long-term loans.

This new program falls into two categories. In general terms, agents of the CWB may negotiate sales involving 10 percent down and payment in 3 years, provided suitable insurance coverage, repayment conditions and guarantees are obtained while the CWB negotiates more liberal and longer-term transactions. The subsidized credit program was made possible by a special decision of the Department of Industry, Trade and Commerce and has been administered by the Government.

Under this program an agent of the CWB borrows at prevailing commercial rates through normal financial channels and the Canadian Government pays the difference between the agent's rate and that which has been negotiated with the purchasing nation. There is no fixed minimum interest rate under this program although in practice recently, interest has been in the area of 6⅜ percent per annum.

Also under this program, the CWB can offer credit directly to a foreign entity as opposed to more indirectly through an exporting firm, a system which is also more costly. This program is available to about 40 nations and the list is kept under constant review. Agreements are subject to Cabinet approval.

Insurance covering the risk of non-payment is handled by the Export Development Corporation. Prior to October 1969, this organization was known as the Export Credits Insurance Corporation which provided the program under which sales to Eastern European nations had been made.

Recent sales of Canadian wheat involve a variety of credit terms.

Two sales negotiated by agents were the Egyptian sale with 30 percent down and 3-year repayment and the Syrian sale with 10 percent down and again 3-year repayment. The CWB negotiated the Brazilian agreement with terms of 5 percent down, 10-year repayment with a 2-year grace period; and the sale to Peru with 5 percent down and 3-year repayment.

Sales to the USSR have been made on straight commercial terms while those to Mainland China have incorporated special credit terms extended by the CWB, and facilitated by the Canadian Government's special credit guarantee. The Mainland China terms have been 25 percent at time of shipment and the balance in 18 months.

Canada makes both government-to-government and multilateral donations. The Canadian Government normally signs an agreement with a receiving nation to donate wheat in terms of a specified value and procures the wheat from agents through the Canada Industrial Development Association or the Canada Credit Corporation.

Canada's export facilities are owned by private firms, the wheat pools or cooperatives, or by the Government under the management of the Board of Grain Commissioners (after April 1, 1971, renamed the Canadian Grain Commission) or the National Harbors Board.

Australia

Australia's exports of wheat are handled in a manner similar in many respects to those of Canada. The Australian Wheat Board (AWB), comparable to the CWB in Canada, is the sole marketing authority in the exportation of wheat. Whereas the CWB's primary role is in pricing its wheat at the Canadian position, the AWB has traditionally been c.i.f. seller.

In very general terms one can divide Australian wheat exports into two categories—those to the Western European market, which continue to be done by the AWB on a c.i.f. basis—and those to more recently developed markets of Asia and Latin America, where trading prevails at f.o.b. Australian positions by both the AWB and private firms as agents. Exceptions to this occur, especially in the latter case, with AWB contracts negotiated with foreign governments or entities.

The AWB sells c.i.f. to either foreign governments or private users and on an f.o.b. basis to agents such as the large international trading firms which are represented in Australia. Agents may buy for deferred delivery only if they declare the destination of the wheat. This severely limits the

ability of the trade to take a long position against the AWB and contrasts with the situation in Canada.

Japanese trading firms may not act as agents of the AWB on sales to Japan, although for certain other markets they do act as agents. In the case of direct sales to foreign governments such as Mainland China or the United Arab Republic, the AWB negotiates the contract and assumes all responsibilities for fulfillment of terms.

The Australian Wheat Board sells wheat in a variety of ways—direct, through appointed agents—or through the private trade.

The Board's agent in London, the Australian Wheat Committee, handles all sales in Europe. In the Middle East, the Board makes direct sales or through an appointed agent to the United Arab Republic, Kuwait, and Lebanon, but all other Middle East markets are normally serviced by the private trade.

In African markets, all sales are made through the private trade, with the exception of sales to Rhodesia, which are made directly by the Board.

In Asia, the Board negotiates direct sales with India, Pakistan, Mainland China, and Ceylon. All other Asian markets are serviced by the private grain trade.

In the South American and Pacific areas, the Board makes direct sales to New Zealand, and one of the large international trading firms appears to act as its agent for sales to Chile, Peru, and Colombia. Sales to other destinations are made through the private trade.

During 1969-70 approximately 20 percent of total exports was sold through the Australian Wheat Committee in London, 6 percent by the Board to the Middle East, 39 percent was sold directly by the Board in Africa and Asia, and 1 percent to New Zealand. This makes a total of direct or agent's Board sales of 66 percent. The remainder was exported under private trade arrangements, although South American sales amounting to 2.5 percent could be classed as sales by the Board's agents.

The AWB through its Shippers' Chartering Committee is an important charterer of ocean freight. The AWB, as an owner of export facilities—along with the Bulk Handling Authorities—also handles all aspects of export trading. This is in contrast to operations of the CWB in Canada.

The AWB in the past has not generally offered credit terms beyond a 12-month period, or similar to those terms used in the Mainland China contracts (10 percent down, 20 percent in 6 months, 20 percent in 9 months, and 50 percent in 12 months).

With recent more intensified competition in the area of credit, more liberal terms have been extended as with Peru—10 percent cash and the balance over 2 years and the United Arab Republic 10 percent cash and the balance over 3 years. Interest rates have been in the area of 6⅜ percent per annum; the AWB has not disclosed exact repayment terms or interest rates. Approval

Loading wheat, Buenos Aires.

of the Treasury Exchange Control must be obtained on sales involving credit in excess of 180 days.

The Export Payment Insurance Corporation (EPIC), created in 1956 under a Commonwealth Act, is chartered to promote trade by providing insurance against certain risks, such as nonpayment, not normally available through commercial channels. Though not established to earn a profit, the EPIC is expected to earn a premium income so that it may pay its way. The facilities of the EPIC are available to grain exporters and commitments of the EPIC are guaranteed by the Commonwealth Government.

The Australian Government buys wheat from the AWB for donations which have been made under the auspices of the United Nations World Food Program, the International Grain Arrangement's (IGA) Food Aid Convention, and the Colombo Plan.

Export facilities in Australia are owned either by the AWB or by the various states' Bulk Handling Authorities, 30 and 70 percent, respectively.

Argentina

While other nations either directly or indirectly subsidize their wheat exports, Argentine grain exports—through a system of export taxes—have for years been a significant source of Government revenue.

The National Grain Board in Argentina has wide-ranging powers similar to those of the Wheat Boards in Canada and Australia. But with the exception of bilateral sales agreements, such as that with Brazil, the exportation of wheat in Argentina is largely in the hands of the private trade. The Government does reserve the right to impose restrictions on exports to assure an adequate supply for domestic use and fulfill bilateral agreements.

The National Grain Board plays an important role in negotiating a limited number of bilateral agreements which are then either carried out by the private trade or directly by the Grain Board. Presently, such bilateral agreements exist with Brazil and Chile. The Grain Board also sells directly to state-trading nations such as Mainland China and the USSR.

Export taxes, which are set by an interdepartmental (Agriculture and Foreign Commerce) Government committee, are levied against wheat and other grains in Argentina. The proceeds from these taxes go into the general budget or are allocated for specific purposes in agricultural and related areas. The export taxes consist of a specific purpose tax (5.3 percent for wheat) which is a constant and a retention tax (17 percent for wheat since July 1970) which varies with both the exchange rate and the level of world prices.

The export retention tax has general-

(Continued on page 16)

New Anglo-American Grain Pact Eases Path for U.S. Farm Exports

The U.S. Department of Agriculture announced on March 17, 1971, the details of a new agreement between the United Kingdom and the United States on grain.

For the past several months the United Kingdom has been working toward the establishment of a revised system of minimum import prices and levies on grain in connection with changes in its farm policy and its possible entry in the Common Market.

According to a statement by the President's Assistant for International Economic Affairs, Peter G. Peterson, the new grain levies would have involved considerably higher grain import prices to the United Kingdom and thus raised questions about U.S. grain exports to that country.

The new agreement between the United Kingdom and the United States will permit the British to continue to operate a minimum import price levy system modified to authorize the use of a single levy as opposed to country levies. However, it provides for maximum threshold prices lower than those originally proposed by the British. It also includes certain other benefits for U.S. grain trade.

The agreement is of indefinite duration, with maximum threshold prices bound for the period July 1971 through December 1972. It also preserves U.S. duty bindings in the U.K. grain market as recognized by the General Agreement on Tariffs and Trade.

These rights will be unimpaired and available on 3 months' notice for use in furthering the interest of U.S. grain exports during the interim or in negotiations with an enlarged European Community (EC). They may be used before, in connection with, or after possible EC enlargement.

In the new agreement, the British have stated that their objective will be to implement their policy with a minimum of disturbance to established patterns of trade between the two countries. The agreement provides for close consultation between the two governments on the operation of the British system, and it further provides that either country may terminate the agreement with 3 months' notice. Thus, the United States can protect its trade interest as needed.

The U.S. Department of Agriculture recognized that British levies may be incurred by U.S. grain at times during the period ending December 1972. However, those charges should be minimal if world grain prices continue at present levels. Accepting the risk of limited levies during this period is offset by certain advantages.

(1) The British agreed to seek the elimination of the most-favored-nation duty of 10 percent which is presently charged against imports of grain sorghum from the United States and other non-Commonwealth suppliers.

(2) The British agreed that, regardless of any fall in world prices, no levy would be imposed on corn imported for industrial uses. Normally, about one-third of all U.K. corn imports fall into this category.

(3) The British agreed to establish a levy for denatured wheat which would be separate from that applied to other wheat. This would minimize the interference of low feed wheat prices with the market for milling wheat in the United Kingdom, yet it would leave open the way for U.S. wheat to participate in the U.K. feed wheat market as it did this past year.

(4) The British agreed to a lower level of threshold prices than they originally proposed. Without the agreement, there would have been a far greater risk of disruption of U.S. grain trade.

The maximum threshold prices agreed upon represent average increases of $8.40 per long ton for the period July 1971 through July 1972 and average $14.40 per ton for the year beginning August 1972. By comparison, the original British proposal called for an average increase of $16.80 per ton for the entire period.

Britain generally ranks with Japan and the EC as one of the largest commercial markets for U.S. grain overseas. It alone accounts for about 10 percent of world grain trade. In recent years, it has generally taken $150 million to $200 million worth from the United States annually. In the last 3 years, corn has averaged about 80 percent to 90 percent of the U.S. grain imported by the United Kingdom. In the current year, wheat imports will reflect a larger share of takings.

Canada's New Grain Act Effective April 1

Canadian Agricultural Minister H. A. Olson announced February 25 that the new Canada Grain Act, passed by Parliament late last year, will become effective April 1. Regulations and necessary orders are being prepared.

The new Act enables the Governor-in-Council to revise grain grades after advance notice. On the basis of information about customer demands as supplied by the Canadian Wheat Board and other research, the Board of Grain Commissioners (renamed the Canadian Grain Commission in the Act) has recommended five new grades of Red Spring Wheat to replace the present eight grades. The Government plans to phase the new grades into operation over the next 2 years, starting with the new crop year.

Effective August 1, 1971, the grades of No. 1 Hard and No. 1 and No. 2 Northern will no longer apply at the country elevators. They will be combined into a new grade to be called No. 1 Canada Western Red Spring Wheat. The Government also plans to introduce regulations to provide for segregating carlots of No. 1 Canada Western Red Spring Wheat arriving at terminal elevators on the basis of protein content. This will enable Canada to guarantee specific protein levels, or lower or higher levels when sufficient quantities are available. (See *Foreign Agriculture,* March 1, 1971.) The new No. 1 Canada Western Red Spring Wheat grade will encompass about 50 percent of the total Red Spring Wheat produced on the Canadian prairies.

It is proposed that the other new grades of wheat become effective on August 1, 1972. These would be No. 2 Canada Western Red Spring Wheat, No. 3 Canada Western Red Spring Wheat, No. 1 Feed Wheat and No. 2 Feed Wheat. The new No. 2 Canada Western Wheat grade would be composed of No. 3 Northern and a portion of the best No. 4 Northern. The new No. 3 Canada Western Wheat grade would be composed of the largest part of the No. 4 Northern and all the No. 5 Wheat. The two feed wheat grades would be composed of wheat of nonmilling quality. The existing grades for No. 3 Northern and lower grades would continue to apply until these other new grades are introduced on August 1, 1972.

MIATCO Prepares for Tokyo Food Exhibition

A record 42 companies have signed up to participate in the MIATCO food exhibition to be held April 12 to 17 at the U.S. Trade Center in Tokyo.

Although MIATCO, an agricultural export development organization representing 12 midwestern States, has been involved in several trade fairs since it went into operation in April 1970, this is the first time that products from MIATCO States will be featured together in a solo exhibition.

Some 5,000 Japanese businessmen are expected to view the beef, pork, poultry, cheese, canned and frozen fruit and vegetables and processed foods on display. They will also meet with some 17 commercial representatives and 9 State reprseentatives in attendance at the exhibition from this country.

MIATCO's membership comprises the State Departments of Agriculture of Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin. All but the Dakotas and Nebraska are sending products to the Tokyo show. The office of the U.S. Agricultural Attaché in Tokyo will provide the Trade Center facilities.

Canada's New Forage Plan To Provide Livestock Feed and Cut Grain Acreage

In an effort to expand forage production to meet the needs of Canada's growing livestock industry, the Canadian Government on February 22, 1971 unveiled a 3-year Can$40 million program that will offer Prairie grain producers $10 an acre to switch crop and summerfallow acreage into forage production. (Can$1 = US$0.993) The program is also expected to reduce grain production, add strength and stability to prices. The program was announced jointly by Agriculture Minister H. A. Olson and Minister Otto Lang, responsible for the Canadian Wheat Board.

The program will be administered by the Canada Department of Agriculture through the Prairie Farm Assistance Administration (PFAA) which is headquartered in Regina. This is the agency that administered Operation Lift (which cut wheat acreage in the Prairie Provinces in half in 1970).

The incentive payments will be offered only to farmers who hold a Canadian Wheat Board permit book. In order to qualify, farmers will be required to increase forage acreage by seeding down land which was cultivated and not in perennial forage last year. The minimum application will be 25 acres per year and no maximum is being set.

The program will be completely voluntary and will apply for 3 years or to a maximum of 4 million acres, whichever limit is reached first. There are now about 12 million acres planted to forage on the Prairies.

Farmers will receive Can$5 an acre when the PFAA has checked their application forms and affidavits attesting to the accuracy of their claims. They will receive another Can$5 an acre when inspectors verify that the land is still in forage production on July 15 of the following year.

Meat Inspection Plants

The number of foreign plants authorized to ship meat to the United States decreased from 1,141 at the beginning of the year to 977 at the end. According to a report issued by Secretary of Agriculture Clifford M. Hardin, this was the result of adding 95 new plants to the list of those eligible to ship to this country, and suspending authorization for 327 plants, of which 68 were reinstated.

Despite the decrease in number of plants authorized to export meat to the United States, the number of foreign inspectors in such plants increased from 7,477 to 9,402.

Last year Canada, Australia, and Denmark had 63 percent of the plants authorized to export meat to the United States; while Australia, New Zealand and Canada supplied 55 percent of the imported meat that entered this country.

More than 1.8 billion pounds of meat and meat products were passed for entry in 1970, compared with 1.7 billion pounds in 1969. Fresh and fresh-frozen meat made up 69 percent of the total, canned pork 14 percent, cooked or canned beef 11 percent, and other minor categories 6 percent.

The Federal Meat Inspection Act requires that a foreign nation must have a meat inspection system equal to that of the United States before it can ship meat here. Each exporting plant is visited at least once a year by a USDA review officer.

Argentina Announces Beef Measures

In a national telecast held February 26, Argentine President Levingston announced a series of measures aimed at the current situation of high cattle and beef prices and low level of beef exports. Longer range steps to assist the packing industry were also announced.

Of most immediate significance was establishment of a "compensatory parity price" for cattle set at 14.7 cents per pound, liveweight, for export-type steers. (The market price the week of February 15 for export steers was 18.1 cents to 19.3 cents per pound.)

Two mechanisms were specified to guide prices to the parity level. First, effective March 15, when price goes over 14.7 cents, a graduated tax will be imposed. Second, if necessary, domestic beef consumption may be banned for 15 days each month for as long as 3 months, effective March 25. The consumption ban may also be imposed if market arrivals of cattle fall substantially below normal averages.

Other significant measures announced included:

- The current program of tax incentives to cattle producers to increase production will be continued.
- Packing plants will be provided credits for modernizing facilities. Total funds available for this modernization will be 80 million pesos.
- The Government will observe closely to assure that any reduction in cattle prices is passed on to the end-user.
- Retail meat marketing will be reorganized in interest of greater efficiency.
- Proceeds from the graduated tax will be used to support animal health work and other needs that may evolve.
- If cattle price declines substantially below parity level the Government will take remedial action as may be indicated.
- Enforcement of meat sanitation regulations will be intensified.

CROPS AND MARKETS

Grains, Feeds, Pulses, and Seeds

Weekly Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	Mar. 17	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 2 Manitoba	1.99	0	2.01
USSR SKS-14	1.99	0	(1)
Australian FAQ	1.89	+1	1.75
U.S. No. 2 Dark Northern Spring:			
14 percent	1.99	−1	1.83
15 percent	2.04	−1	1.95
U.S. No. 2 Hard Winter:			
13.5 percent	1.98	0	1.78
USSR-441 Yellow Winter	1.96	0	(1)
Argentine	(1)	(1)	(1)
U.S. No. 2 Soft Red Winter	1.86	−4	1.67
Feedgrains:			
U.S. No. 3 Yellow corn	1.75	−2	1.55
Argentine Plate corn	1.76	−0	1.52
U.S. No. 2 sorghum	1.51	−0	1.51
Argentine-Granifero sorghum	1.50	−0	1.33
U.S. No. 3 Feed barley	1.44	−3	1.11
Soybeans:			
U.S. No. 2 Yellow	3.38	0	3.02
EC import levies:			
Wheat	1.46	+2	1.69
Corn [2]	.79	+1	.99
Sorghum [2]	.91	0	1.08

[1] Not quoted. [2] Until Aug. 1, 1972, Italian levies are 19 cents a bu. under those of other EC countries.
Note: Basis—30- to 60-day delivery.

Dairy and Poultry

Japan's Dairy Industry Continues To Expand

Milk production in Japan reached a record high of 4.75 million metric tons in 1970, a 5-percent increase over the 1969 level and a dramatic 18-percent increase over 1968 output. Production is forecast at 5 million tons in 1971.

The continued upward trend in milk production has resulted from increased numbers of higher grade dairy cattle as well as improved efficiency in feeding and management. Dairy cattle numbers were estimated at 1.8 million head as of February 1, 1970.

The Government views the current surplus in milk production as temporary, and the policy is to further expand output. Demand for milk is expected to be enhanced by rising incomes and improvements in marketing, and it is considered likely that dairy farmers will be hard-pressed to keep up with future demand.

Only about 55 percent of the domestic production was consumed as fluid milk in 1970, with the remainder being processed into butter, nonfat dry milk (NFDM), cheese, and other dairy products. Butter production was estimated at 45,150 tons, and the output of NFDM reached a record level of 71,200 tons. The sharp rise in the domestic output of NFDM has reduced import requirements for the school lunch program over the past 2 years. Imports for the program during 1971 probably will amount to less than 5,000 tons, compared with 13,000 tons in 1970 and 26,500 tons in 1969. Total imports of NFDM in 1970 were estimated at 57,000 tons, with 40,000 tons imported for feed and only 17,000 tons for food use.

The growing demand for processed cheese pushed imports of natural cheese up to 33,000 tons in 1970. The upward trend in cheese imports is likely to continue in 1971.

Mechanization and increased herd sizes will be key factors in future efforts to develop Japan's dairy industry. Mechanization is proceeding at a fast pace, but average herd size increased by less than 1 percent in 1970, which brought the average herd size to 5.9 head per farm.

Cost of production has doubled over the past 10 years and the Government estimates that at current levels a minimum herd of 15 cows is required for a full-time dairy farmer to break even. Presently, of a total of 308,000 dairy farms, only 14,600 have 15 or more cows and only 378 have over 50 head. High land prices and rising wages for farm labor will make it difficult for small farmers to expand.

Japan is a market for U.S. dairy products. Dollar exports to Japan of $1.1 million in 1970 were only half the $2.2 million shipped in 1969 because of a sharp reduction in special sales of nonfat dry milk for use in the school lunch program. Exports of cheeses to Japan were up 58 percent to $776,376.

Yugoslav Poultry Production Outlook Good

Poultry production is the only livestock industry in Yugoslavia which has shown steady progress during the past several years. According to the January 1970 census, total poultry numbers were estimated at 40.9 million head, or 10 percent over the previous year's level and numbers are expected to increase further in 1971.

While total consumption of poultry meat is still rather low, the Government's goal is to bring the current average consumption of 11 pounds per capita up to 18 pounds per capita within the next 5 years. The general meat shortage during the past few years has given the industry a strong incentive to expand. Relatively favorable prices of chicken

compared with other meats on the local market plus the rapidly increasing tourist trade are additional factors contributing to the development and expansion of the broiler industry.

The country's total egg production is still short of meeting consumption requirements and, though broiler production is likely to continue its upward trend, it appears that emphasis in Yugoslavia's commercial poultry sector is being shifted from broiler to egg production.

Tobacco

Decrease in U.S. Burley Exports

U.S. burley tobacco exports were 41.4 million pounds in 1970, 20 percent down from the 52 million exported in 1969 but about equal the 41.6 million annual average for 1960-64. The decline was mainly the result of smaller shipments to the EC countries. Substantially larger shipments were made to Japan and Denmark.

The value of 1970 exports was $44.6 million, down 14 percent from the $51.1 million for 1969 but 31 percent above the 1960-64 annual average.

U.S. EXPORTS OF BURLEY

[Export weight]

Destination	Average 1960-64	1968	1969	1970 [1]
	1,000 pounds	*1,000 pounds*	*1,000 pounds*	*1,000 pounds*
EC:				
Belgium-Luxembourg	904	1,740	1,725	1,397
France	546	620	973	1,129
Germany, West	9,662	8,311	13,813	11,316
Italy	4,027	1,890	7,829	627
Netherlands	2,129	2,647	1,637	708
Total EC	17,268	15,208	25,977	15,177
Chile	524	551	831	862
Austria	645	797	541	222
Denmark	1,379	3,164	2,550	3,553
Finland	1,530	1,158	1,199	976
Norway	774	875	659	682
Portugal	2,816	1,544	2,293	1,765
Sweden	4,483	4,926	3,037	3,557
Switzerland	703	2,908	5,218	3,632
Congo (Kinshasa)	339	189	343	575
Israel	15	272	248	271
Hong Kong	918	1,557	674	934
Japan	2	—	4	162
Philippines	511	2,211	3,289	3,129
Thailand	685	4,739	2,696	3,390
Australia	601	964	284	369
Other	8,361	1,730	2,168	2,129
Total	41,554	42,793	52,011	41,385
	1,000 dollars	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*
Total value	34,113	40,874	51,083	41,802

[1] Preliminary. Bureau of the Census.

Decrease in U.S. Flue-cured Tobacco Exports

U.S. exports of unmanufactured flue-cured tobacco during 1970 were 367.3 million pounds (export weight) for a value of about $402 million. This was a decline of 15 percent in volume and about 10 percent in value from the previous year and represents a further decline from the high level reached during 1968. Exports lagged, particularly to the United Kingdom, West Germany, Italy, Australia, and Thailand. Japan, the third largest market for U.S. flue-cured tobacco, increased about 12 million pounds during the year and reached a new high for this market.

European Community countries, which represent the largest single market area for tobacco, purchased a total of 99.2 million pounds, or about 21 percent less than in the previous year and 9 percent less than the annual average during 1960-64. Purchases by all countries within the Community were smaller during 1970, with the exception of France, which took slightly more than in the previous year.

U.S. EXPORTS OF FLUE-CURED TOBACCO

[Export weight]

Destination	Average 1960-64	1968	1969	1970 [1]
	1,000 pounds	*1,000 pounds*	*1,000 pounds*	*1,000 pounds*
United Kingdom	129,775	112,194	111,388	83,470
EC:				
Belgium-Luxembourg	13,453	15,278	12,685	8,037
France	1,546	3,795	2,642	3,088
Germany, West	65,300	73,521	79,759	71,013
Italy	7,063	3,122	11,642	1,945
Netherlands	21,238	30,011	18,917	15,158
Total EC	108,600	125,727	125,645	99,241
Denmark	10,402	12,898	13,502	10,805
Finland	5,559	3,983	3,434	3,349
Ireland	14,402	13,110	8,838	8,843
Norway	4,799	5,849	4,351	4,685
Spain	996	3,922	3,305	2,996
Sweden	9,134	6,205	6,778	8,844
Switzerland	3,546	9,720	12,987	10,094
Taiwan	2,653	6,333	8,770	8,593
Hong Kong	5,504	3,830	3,230	2,987
Japan	25,970	41,925	34,708	46,320
Malaysia	3,724	6,108	6,715	7,063
Philippines	1,276	5,648	6,696	3,403
Thailand	8,486	24,120	21,564	16,758
Vietnam, South	4,962	8,709	8,900	7,834
Australia	16,323	16,539	18,515	8,603
Other	41,070	36,718	30,292	33,384
Total	397,181	443,538	429,618	367,272
	1,000 dollars	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*
Total value	319,105	426,579	444,767	402,460

[1] Preliminary. Bureau of the Census.

Sugar and Tropical Products

Lower World Cocoa Prices

World cocoa bean prices continue to decline in response to forecasts of larger production New York "Accra cocoa bean prices averaged 34.2 cents per pound in 1970, compared with 45.7 cents in 1969. Prices in January 1971 eased further to 29.8 cents, and by the close of February were down to about 26 cents.

In contrast to early-season forecasts of smaller world cocoa

bean production, the 1970-71 world crop is now expected to reach 1,462,200 metric tons, an increase of 2.5 percent over the previous year. If current estimates are realized, production this year will be the second largest of record, falling only slightly short of the 1964-65 alltime high of 1,490,000 tons.

World cocoa bean grindings in 1970 were slightly below the level of the preceding year, allowing for a modest stock buildup following four consecutive deficit-production years. With a near-record crop being harvested, stocks will again be accumulated despite expectations of larger world consumption in 1971.

As most manufacturers are still using cocoa bought at higher prices, it is expected to take many months for an upturn in consumption to take place. As a result, stocks will rise and prices will continue to remain soft over the next several months.

Martinique's Sugar Production Down

During calendar 1970 Martinque's sugar production dropped to 26,866 metric tons, a 15-percent decline from the 1969 level. This was due primarily to a very dry growing season which resulted in lower cane yield, as well as less sugar produced per ton of cane. Although sugar production has dropped 27 percent in the last 3 years, this decline is not expected to continue.

The Government of Martinique has a new 5-year plan (1971-76) that stresses increased agricultural production. The program goal for sugar is to replant, for mechanical harvesting, 7,500 hectares (18,500 acres) of cane. This project is to be at least partially financed by a Government subsidy plus loans from Credit Agricole Mutual (CAM). Any additional expense is to be borne by the planters. In 1970, four mechanical harvesters cut and loaded an estimated 10 percent of Martinique's sugarcane crop.

U.K. and German Honey Markets Appear Bullish

Reports from both London and Hamburg indicate that prices for honey are improving.

The London report states that there is a world scarcity of export honey for the second year running, that old stocks in England have been used up, and that both quantity and value of British honey imports have reached record levels. The report points out that whereas the price for Australian light amber honey had been £133 ($321.63) per ton during the early part of 1970, it reached £160 ($386.93) per ton as of the end of February 1971. Argentina and Mexico until recently were quoting £170 and £155 ($411.11 and $374.84) a ton respectively, but currently they are withholding offers, anticipating a rise in prices. Canadian bulk honey is enjoying keen demand at £185 ($447.39) per ton.

The Hamburg report also indicates favorable markets for honey in West Germany. Trade sources there indicated that Mexican and Central American crops are small. The following are some actual prices paid: Mexican-Yucatan/Campeche, $34 per 100 kg. (220 lb.), C&F Hamburg; Mexican-Guadalajara, $37-$38 per 100 kg., f.o.b.; Argentina BA quality, $482.09 to $486.50 per metric ton, C&F Hamburg; Mainland China light amber DM 1,293.49, $356.33, extra-light amber DM 1,352.96, $372.72, and white DM 1,419,86 $391.15 per metric ton, c.i.f. Europe, for May-June shipment. Shipments are said to be in steel drums of 300 kg. each except those from Mainland China, which are in 290- or 113-kg. steel drums. Offers in all cases are said to be scarce. One quotation was given for USA white clover at $17.75 per 100 pounds, f.o.b. Great Lakes, for April shipment.

Fruits, Nuts, and Vegetables

Italian Almond Harvest Up

Italy's 1970 almond harvest is placed at 39,000 short tons (kernel-weight basis), an increase of 62 percent over the poor 1969 crop. Exports during the 1970-71 season are forecast at 25,500 tons, compared with 19,200 tons last season. Prices have declined steadily this season due to abundant foreign and domestic supplies. Shelled unselected Baris, which sold for more than $1 per pound a year ago, are now quoted at 69.4 cents a pound.

Almond trees blossomed early in the 1971 season, and there is a high risk of frost damage. It is not yet possible to evaluate the damage, if any, caused by the recent snowfall in the major producing regions.

Large Italian Filbert Crop

Italy's 1970 filbert crop is now placed at 97,000 short tons (in-shell basis), 26 percent above earlier estimates and more than double last season's harvest. Larger than anticipated yields from young acreage in the Campania and Latium regions are the principal reasons for the large revision. The prices received by farmers have reflected the large crop, declining slightly in recent months. Averaging 27 cents per pound in September 1970, prices had fallen to 24 cents per pound in February 1971.

Crops and Markets Index

Specific Wheat Export Practices

(Continued from page 10)

ly been increased when the peso is devalued and then reduced periodically over time, thereby maintaining export prices in terms of other currencies. Both are levied against a fixed, periodically adjusted index price (instead of the actual market f.o.b. price which fluctuates continually) which is expressed in terms of U.S. dollars and is established for wheat and each of the other grains.

The index price determines the exporter's foreign exchange obligation. It is then a minimum f.o.b. price for foreign exchange purposes and is changed as world price levels fluctuate.

Some export firms contend that not enough flexibility exists in the present Argentine system of adjusting the index price and retention tax to maintain competitiveness overseas.

The ports in Argentina have sometimes tended to limit grain exports, since certain large vessels cannot be handled. The water's depth at upriver ports is only 25 feet necessitating "topping off" vessels at Buenos Aires where there is a depth of 34 feet. All port elevators are owned by the Grain Board and the trade pays for their use.

The Argentine Government has made export donations under the Food Aid Convention of the IGA.

United States

U.S. wheat exports, now largely on a commercial basis, are handled by the private trade.

The Food and Agriculture Act of 1965 which was extended in 1968 to apply through the 1970 crop, and the Agricultural Act of 1970 which extends through the 1973 crop, provide for the payment of a subsidy to exporters (export payment) when domestic price levels are higher than those overseas.

Each afternoon at 3:31 p.m. eastern time the Export Marketing Service of the U.S. Department of Agriculture in Washington, D.C., announces rates per bushel for those classes of wheat and costs of exports where required to meet competition. Separate rates are announced for the Pacific, gulf, and east coasts (including the Great Lakes).

The Commodity Credit Corporation operates a credit program designed to facilitate commercial exports from private stocks to certain countries.

This program provides for financing to exporters (not to foreign governments) of up to 36 months at interest rates announced monthly by the CCC. These rates have recently been 6⅜ percent per year for U.S. bank obligations and 7⅜ percent for foreign bank obligations. The private firm then extends credit to the foreign party at a somewhat higher rate.

Under provision of the Agriculture Act of 1949 and the Commodity Credit Corporation Charter Act, the Government is able to sell to private firms for export, at prices below the domestic levels, stocks accumulated under the domestic price support programs.

The United States also makes available wheat and other agricultural commodities to developing nations on concessional terms under provisions of the Agricultural Trade Development and Assistance Act of 1954, as amended, generally referred to as Public Law 480. Under Title I of P.L. 480 three types of sales are made—local currency sales agreements, dollar-credit agreements, and convertible local-currency agreements.

Under Title II, donations are made directly to foreign governments through nonprofit organizations and through the World Food Program. Obligations under the Food Aid Convention of the International Grain Arrangement are fulfilled under the authority of P.L. 480 programs.

Export facilities in the United States are owned by the exporting firms, either private or cooperative. The Government owns no elevator space.